

TEMPORARY RECLAMATION MANUAL RELEASE

Comments on this draft release are due to phensley@do.usbr.gov by July 27, 2007.

Background and Purpose of the Following Temporary Reclamation Manual Release (TRMR) Policy

This TRMR Policy FAC TRMR-8, *Cost Estimating*, has been in use since October 30, 2007. This request for comment from stakeholders is to gain feedback on how to improve the document. Following this comment period, it is anticipated the document will become a permanent Reclamation Manual release. This Policy describes the sequence of developing cost estimates during the life of a project and was developed in response to the Bureau of Reclamation's Managing for Excellence Team 15 task to "Establish agency policies/D&S's for the oversight of design and construction estimates."

The Reclamation Manual is used to clarify program responsibility and authority and to document Reclamation-wide methods of doing business. All requirements of the Reclamation Manual are mandatory.

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(Expires 10/30/2007)

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| Subject: | Cost Estimating |
| Purpose: | To ensure all cost estimates required to support Reclamation's mission are effectively prepared, reviewed, and properly used. The benefits to the Agency include improved quality and consistency of cost estimates, the facilitation of corporate oversight for these projects to support successful project accomplishment, improved ability to maintain credibility with water and power users and other customers, and otherwise sustain Reclamation's credibility. |
| Authority: | Reclamation Project Act of 1902 as amended, Reclamation Safety of Dams Act of 1978 as amended, and specific authorizing legislation |
| Approving Official: | Commissioner |
| Contact: | Senior Advisor Design, Estimating, and Construction, 86-62000 |

1. **Introduction.** This Policy along with its supporting Directives and Standards (D&S) describes the levels of cost estimates prepared by or for Reclamation in support of its studies, projects, and programs. It also identifies the organizational entities responsible for the completion and application of these estimates.
2. **Scope.** Different levels of cost estimates are required to plan, seek authorization and appropriations, design, construct, and operate and maintain Reclamation's projects. Reclamation's cost estimates are to meet standards and requirements necessary to fulfill their intended function and are to reflect reasonable and defensible expectations of costs commensurate with their purpose. The critical elements for an effective cost estimating program along with the risks and uncertainties of cost estimates are presented in the supporting D&S for this Policy along with the Technical Service Center (TSC) *Cost Estimating Handbook*.
 - A. Reclamation Manual (RM) Temporary Release D&S, *Cost Estimating* (FAC TRMR-9), describes specific levels of estimates along with the attributes of each. As a project moves through its development and implementation, subsequent cost estimates reflect increasingly more detail and refinement of the project attributes and supporting design data. Only the levels of estimates listed in that document will be acknowledged as official Reclamation cost estimates. Refer to RM Temporary Release D&S, *Representation and Referencing of Cost Estimates in Bureau of Reclamation*

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Documents Used for Planning, Design, and Construction (FAC TRMR-11) for how various levels of cost estimates are to be used.

- B. RM Temporary Release D&S, *Construction Cost Estimates and Project Cost Estimates* (FAC TRMR-10), identifies how cost estimates are used in the development and maintenance of the Construction Cost Estimate (CCE) and Project Cost Estimate (PCE). CCEs and PCEs are utilized for new construction.
- C. This Policy and its supporting D&S apply to all Reclamation projects, new and existing, regardless of the funding source.
3. **Definitions.** Definitions of key terminology and acronyms are included in *Cost Estimating* (FAC TRMR-9) and the *TSC Cost Estimating Handbook*.
4. **Sequence of Development of Cost Estimates.** Reclamation uses a variety of terminology to describe the sequence of project activities from inception through operation. A project's status describes, in general terms, the types of activities underway in support of a project's development. Several stages of project development are delineated within each category of project status. A series of increasingly refined cost estimates are prepared as a project moves through these stages. The levels of estimates are described in Paragraph 5 of *Cost Estimating* (FAC TRMR-9). The following table summarizes the relationships among the project status, stage and level of cost estimate produced and recognized:

| PROJECT STATUS | PROJECT STAGE | LEVEL OF ESTIMATE PRODUCED |
|---------------------------|---------------|--|
| Planning | Planning | Preliminary |
| | | Appraisal |
| | | Feasibility |
| Construction | Design | Percent Design [Updated feasibility] Prevalidation of Funds |
| | Solicitation | Independent Government Cost Estimate [Award] |
| | Construction | Independent Government Cost Estimate [Contract Modifications] |
| Operation and Maintenance | Operations | One or more of the previously identified estimates |

5. **Special Studies.** These are special studies as defined in Paragraph 2.B. of RM D&S, *Geographically Defined Program (GDP)* (CMP 05-01).

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6. **Responsibilities.** The responsibilities in preparing, reviewing, and using cost estimates are as follows:
- A. **Deputy Commissioner Operations** is responsible for formally establishing the current official PCE.
 - B. **Deputy Commissioner, External and Intergovernmental Affairs** is responsible for taking actions as appropriate to address the need for legislation for new project authorizations and/or amending existing project authorizations.
 - C. **Deputy Commissioner, Policy, Administration, and Budget** is responsible for working through appropriate channels within the Department of the Interior and in conjunction with the Office of Management and Budget to apprise appropriate committees of the Congress of the most current cost estimates (PCEs, Safety of Dams Modification Reports, etc.).
 - D. **Regional Director** is responsible for:
 - (1) Ensuring that all estimates to support Reclamation's mission are performed in accordance with this Policy and the D&S which support this Policy.
 - (2) Ensuring that all cost estimates, including those prepared by non-Reclamation personnel, meeting the criteria for review as outlined in RM Temporary Release Policy, *Independent Oversight of Design, Cost Estimating, and Construction* (FAC TRMR-12) are appropriately reviewed. Federal Acquisition Regulation 48 CFR 36.203 has additional information regarding the established monetary thresholds in the development of Government cost estimates.
 - (3) Annually updating the PCE, and reporting promptly any adjustments that must be made to the appropriations ceiling to the Office of the Commissioner, and providing informational copies of the updated PCE and supporting documentation to the Director, TSC.
 - (4) Maintaining a chronological and comprehensive historical record of all official cost estimates for projects within their region. The CCEs shall be developed and kept current. All revisions to the CCE, along with changes to the project plan, are to be recorded promptly and accurately in the PCE.

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- E. **Director, Technical Resources** is responsible for providing oversight of the promulgation of Reclamation-wide cost estimating Policy and the D&S promulgated from this Policy to ensure high quality estimates Reclamation-wide.
- F. **Director, Technical Service Center** is responsible for:
- (1) Developing and promulgating all Reclamation-wide cost estimating Policy, D&S, and guidelines.
 - (2) Preparing and publishing Reclamation's *Construction Cost Trends*, and reviewing and approving any local area cost indexes prepared by regional staff.
 - (3) Preparing cost estimates for all physical features designed by TSC staff.
 - (4) Providing technical support to Reclamation and non-Reclamation clients (as appropriate) to:
 - (a) Prepare or review cost estimates and the designs upon which they are based.
 - (b) Provide cost evaluation services for bid review and cost proposal analysis and negotiations.
 - (c) Prepare plant account and property class assignment reports for CCEs.